

HOUSE BILL REPORT

HB 1756

As Reported by House Committee On:
Local Government & Housing

Title: An act relating to military improvement zones.

Brief Description: Creating a military improvement zone program.

Sponsors: Representatives Kelley, Seaquist, Green, Morrell and Conway.

Brief History:

Committee Activity:

Local Government & Housing: 2/12/09, 2/16/09 [DP].

Brief Summary of Bill

- Creates a Military Improvement Zone Account in the State Treasury into which sales and use tax revenues related to affordable housing construction are deposited and distributed to pay for public infrastructure related to the development of such housing.
- Directs the Department of Community, Trade and Economic Development to implement a pilot Military Improvement Zone Program within specified areas of the state.

HOUSE COMMITTEE ON LOCAL GOVERNMENT & HOUSING

Majority Report: Do pass. Signed by 7 members: Representatives Simpson, Chair; Nelson, Vice Chair; Miloscia, Springer, Upthegrove, White and Williams.

Minority Report: Do not pass. Signed by 4 members: Representatives Angel, Ranking Minority Member; Cox, Assistant Ranking Minority Member; Ericksen and Short.

Staff: Thamas Osborn (786-7129)

Background:

Local Economic Impacts of Military Bases.

This analysis was prepared by non-partisan legislative staff for the use of legislative members in their deliberations. This analysis is not a part of the legislation nor does it constitute a statement of legislative intent.

"Impacts of the Military Bases in Washington," a 2005 report by the Office of Financial Management, identified more than 100 military installations in the state. The major installations include Ft. Lewis, McChord Air Force Base, Naval Base Kitsap, Keyport Undersea Warfare Center, NW Regional Maintenance Center, Naval Station Everett, Naval Air Station Whidbey, Fairchild Air Force Base, and Yakima Training Center. The report listed some of the direct impacts of the military presence including payroll of uniformed/civilian personnel (\$3.4 billion) and military retiree pensions (\$1.15 billion). Contracts let by major bases in 2003 included \$1.14 billion in statewide purchases, \$530 million in sales by Washington companies to bases, and \$2.9 billion in contracts with the U.S. Department of Defense. Over half of Washington counties experience an impact from base purchasing practices. In 2003 the military wage and salary disbursements made up more than 88 percent of the total disbursements in Island County, 52 percent in Kitsap County, and 29 percent in Pierce County.

Retail Sales and Use Taxes.

Retail sales and use taxes are imposed by the state, by most cities, and all counties. Retail sales taxes are imposed on retail sales of most articles of tangible personal property and some services. Use taxes apply to the value of most tangible personal property and some services when used in this state, if retail sales taxes were not collected when the property or services were acquired by the user. Use tax rates are the same as retail sales tax rates.

Summary of Bill:

Legislative Findings.

The act states legislative findings that the quality of the communities surrounding military bases should, but often do not, reflect appreciation of the value of military personnel stationed in our state. In addition, the findings state that as the result of insufficient resources being invested in new infrastructure, the patterns of urban development have not supported the military's housing and services needs.

Military Improvement Zone Pilot Program.

The Department of Community, Trade and Economic Development (Department) must implement a Military Improvement Zone Pilot Program (Pilot Program) in conjunction with the Department of Revenue, which is tasked with playing an advisory role. The stated purpose of the Pilot Program is to authorize and promote financing tools that encourage the development of high quality infrastructure and affordable housing in the areas nearest to federal military bases.

Counties or cities may submit applications to designate areas qualifying for inclusion in the Pilot Program. To be eligible, an area must:

- be a defined geographic area consisting of a neighborhood or contiguous neighborhoods;

- demonstrate a need for infrastructure improvement resulting from specified causes; and
- be within two miles of not more than two federal military bases with more than 30,000 personnel combined and which are wholly contained within census tract 720 or census tract 806.

The Department must develop Pilot Program guidelines and criteria and provide technical assistance to participating local governments.

Funding of the Pilot Program.

The Pilot Program is funded by a combination of grants from the Department and a percentage of the revenue received from qualifying local sales and use taxes. Grants to counties and cities are contingent on amounts being appropriated to the Department for use in implementing the Pilot Program. Funding from sales and use taxes is limited to 25 percent of the taxes collected on the sale and use of personal property, labor, and services related to the construction of qualifying affordable housing projects.

Military Improvement Zone Account, Eligibility and Authorized Use of Distributions.

The Military Improvement Zone Account (Account) is created in the State Treasury. Twenty-five percent of sales and use taxes on tangible personal property, labor, and services used in the construction of qualifying affordable housing projects must be deposited in the Account, less any credits allowed for local governments. Distributions of proceeds from the Account must be made annually and may be used by a county or city only for public infrastructure projects necessary for the development of affordable housing consistent with program requirements. Authorized uses include construction of:

- streets and roads necessary to serve the military improvement zone;
- water and sewer systems; and
- storm water and drainage management systems.

To be eligible for the distribution, a city or county must submit an application prior to the initiation of the construction of the affordable housing project (project). The local government must verify that:

- the project is located in a designated military improvement zone;
- the project's completion date is consistent with the Department requirements;
- the proceeds will be used for the infrastructure required for the development to occur;
- at least 25 percent of the housing units qualify as affordable housing; and
- the developer and local government have made a development agreement containing prescribed elements.

The Department must rule on the application within 45 days of its receipt. The local government must submit an expenditure plan specifying the intended use of the proceeds within 120 days of submitting the application. The Department must notify the local government of expenditure plan deficiencies within 90 days of submittal.

"Affordable housing" means residential housing for rental occupancy which requires payment of monthly housing costs, including utilities other than telephone, of no more than 30 percent of the family's income.

Reporting Requirements and Program Termination.

The Department must submit a comprehensive Pilot Program status report to the Governor and the Legislature by September 30, 2011, followed by a Pilot Program findings and recommendations report by September 30, 2013.

The Pilot Program terminates on June 30, 2014.

Appropriation: None.

Fiscal Note: Available.

Effective Date: The bill takes effect 90 days after adjournment of the session in which the bill is passed.

Staff Summary of Public Testimony:

(In support) The purpose of the bill is to improve the overall quality of the communities surrounding Fort Lewis. The housing and infrastructure in the areas adjacent to the fort have deteriorated. There is a great need for the revitalization of the area, but that will require funding and incentives to do so. The key to making the needed changes is for the communities to create the infrastructure necessary for redevelopment, which would then create the incentive for affordable housing and other needed development. The bill creates a pilot program for funding the needed infrastructure and would create an "improvement zone" in the Fort Lewis area. This would be the first step towards transforming the area. Most of the financing will come from local tax revenues. Passage of the bill would send a message to the federal government that, in turn, might be a stimulus for some federal funding. Lakewood has already received some federal money to do a study of the transportation impacts of Fort Lewis.

(Opposed) None.

Persons Testifying: Representative Kelley, prime sponsor; and Jeff Brewster, City of Lakewood.

Persons Signed In To Testify But Not Testifying: None.